CHAPTER TWO

FUNDING CONCEPTS, STRUCTURE AND IDENTIFICATION

2000 INTRODUCTION

Chapter Two provides a concise description of where
operating funds come from, how they flow to the OPTAR
holder and how funds are classified and identified. This
is important conceptual material and a small investment of
time in becoming familiar with it will provide operating
forces personnel with a good overall perspective of the
funding processes. It is not essential to know this
material to perform OPTAR holder accounting functions, but
it is provided for the information of interested personnel.

2001 PLANNING, PROGRAMMING AND BUDGET SYSTEM (PPBS)

Planning, Programming and Budgeting System (PPBS) is an
integrated system for the establishment, maintenance and
revision of the Future Years Defense Plan (FYDP) and the
Department of Defense budget.

1. PLANNING PHASE

Operating forces units do not normally have direct input
into the planning phase of PPBS. The planning phase is the
first part of the process and is accomplished at the
highest echelons of the Department of Defense. It
considers such factors as national interests, world
security environment and national military structure. The
planning phase establishes the general requirements for
different types of military capabilities. The main product
of the planning phase is the Defense Planning Guidance,
which becomes a key input to the programming phase.

2. PROGRAMMING PHASE

The programming phase of PPBS translates the strategic
planning of the previous phase into coherent, affordable
and balanced Navy programs. The Chief of Naval Operations
resource sponsor (N77 for Undersea Warfare, N76 for Surface
Warfare, etc.) receives input for consideration from
various sources including the Fleet Commanders and develops
a coordinated program (how many ships, at what level to man
each ship, how many torpedoes, what level of Base Operating

Support, etc.) that is balanced from a war fighting and affordability perspective.

A program is an aggregation of program elements that reflects a force mission or a support mission of the Department of Defense and contains the resources needed to achieve an objective or plan. It reflects fiscal year time-phasing of mission objectives to be accomplished and the means proposed for their accomplishment. Eleven programs currently identify broad areas of both mission and support, and are known as the Department of Defense Major Force Programs (MFPs):

- Program 1 - Strategic Forces

- Program 2 - General Purpose Forces

- Program 3 - Command, Control, Communications, Intelligence and Space

- Program 4 - Mobility Forces

- Program 5 - Guard and Reserve Forces

- Program 6 - Research and Development

- Program 7 - Central Supply and Maintenance

- Program 8 - Training, Medical, and Other General Personnel Activities

- Program 9 - Administration and Associated Activities

- Program 10 - Support of Other Nations

- Program 11 - Special Operations Forces

These eleven major programs are, in turn, divided into numerous Future Years' Defense Program elements.

After the CNO integrates and balances the programs of the different resource sponsors, the Secretary of Defense submits the programs for approval. The ultimate product of the programming phase is an approved program called the Program Objective Memorandum or POM. It is a long-range financial planning document.

3. BUDGETING PHASE

Budgeting is the process of translating the programs approved in the POM into an accurately priced and

thoroughly justified financial plan for one or two years, which is submitted to Congress. The programming/budget formulation cycle is a continuous, interrelated series of actions, which begin at the unit level and flow upward through command echelons with a review and summarization process occurring at each level. Programming and budgeting are tied to the mission of each unit and all data expressed in these documents must ultimately relate to performance of that mission. Since the budget is the basis on which resources are ultimately authorized, it must be justified on quantitative terms that will withstand critical analysis.

The budget is developed at the major claimant level and is compiled, reviewed and adjusted by the Navy Comptroller, before transmission to the Office of the Secretary of Defense and then to the Office of Management and Budget and then to Congress.

4. ENACTMENT

Congress then reviews and adjusts the Department of Defense budget request. Committees of the House of Representatives and the Senate hold hearings at which senior defense officials explain the need for the various programs and then the committees draft four sets of bills: the Defense Authorization Bill, the Defense Appropriation Bill the Military Construction Authorization Bill and the Military Construction Appropriation Bill. The Authorization Bills approve the various programs and procurement plans of the Department, while the Appropriation Bills make funds available for the approved programs.

When action on appropriations is not completed by the beginning of the fiscal year, the Congress enacts a Continuing Resolution Authority (CRA) to provide authority for the affected agencies to continue financing operations up to a specified date or until their regular appropriations are enacted. Detailed guidance is provided each time there is a CRA. Often, the CRA covers only a finite number of days and allows no new program starts.

2002 APPROPRIATIONS

1. GENERAL

The federal government's fiscal year begins on 1 October and ends on 30 September. For example, fiscal year 2002 began on 1 October 2001 and ends on 30 September 2002. Congress provides the Department of the Navy with several distinct appropriations of funds each fiscal year. Each appropriation can only be used for the purpose for which the Congress made it available. While the expenses of the operating forces are generally funded out of the Operation and Maintenance, Navy, (O&MN) or Operation and Maintenance, Navy Reserve, (O&MNR), financial management personnel should be aware of the other types of appropriations and their purposes.

The Secretary of the Defense has limited discretion to reprogram, that is transfer, funds from one appropriation to another during each fiscal year. Each year, the Appropriation Act sets rules and dollar thresholds for this level of reprogramming authority. Congress must approve in advance any reprogramming above this threshold. The specific rules and thresholds vary from year to year. Units of the operating forces do not have authority to reprogram funds or to cite appropriations other than that appropriation from which their OPTAR is granted. Any questions in this area should be promptly referred to the type commander.

2. STATUTORY LIMITATIONS

Statutory limitations are those fiscal restraints on the obligation and expenditure of appropriated funds imposed by law. The two major statutory limitations applicable to the operating forces are 31 U.S. Code 1301 and 31 U.S. Code 1517. These two statutes apply not only to the current fiscal year, but to funds of prior years as well.

a. 31 U.S. Code 1301

This section limits the expenditure of funds to the purpose for which they were appropriated. Typically a 1301 violation might occur when equipment (other than supply system materials/equipment) or "systems" (ADP, telephone, etc.) costing $100,000 or more are purchased incorrectly with O&MN funds (Other Procurement, Navy is the correct appropriation for investment items costing in excess of $100,000). Another example of a 1301 violation would be the use of O&MN funds for expenses of Naval Reserve units, which are financed by O&MN,R. Under this circumstance a

31 U.S. Code 1301 violation has occurred. Any discovered misapplication of appropriated funds must be immediately corrected. When the correcting entry is recorded in the official accounting records, charges will be transferred to the applicable current or expired appropriation. However, if no appropriated funds of the correct type for the expenditure were granted or if insufficient funds are available to cover the expenditure, a 31 U.S. Code 1517 violation (see the paragraph below) may have occurred and the reporting requirements of Volume 14 of the Financial Management Regulation must be followed.

b. 31 U.S. Code 1517

This section prohibits any act that will result in an obligation or expenditure in excess of the funds allocated on an expense limitation or operating budget (for Operations and Maintenance, Navy funding or Operations and Maintenance, Navy Reserve funds) or allotment (for Other Procurement Navy funding). This section is commonly known as the Antideficiency Act. OPTAR holders cannot individually incur a 1517 violation. However, they can be cited as a "culpable" party if their actions cause the operating budget holder to incur a 1517 violation. When it is determined that an apparent or actual 1517 violation exists, the circumstances must then be reported to CNO via the chain of command following the guidelines contained in Volume 14 of the Financial Management Regulation. Even an inadvertent occurrence of a 1517 violation can result in both administrative discipline and/or criminal prosecution, depending on the severity of the violation. Administrative discipline for civilians can include written admonishment or reprimand, grade reduction, suspension, or removal from office. Military members are subject to action under the Uniform Code of Military Justice (Article 92). Criminal penalties for both military and civilian members can include fines up to $5,000 and/or two years in prison. The individuals responsible for the violation must be identified in the formal Investigation Report. In addition, appropriate disciplinary actions can be taken against other culpable parties.

In order to simplify accounting procedures for the operating forces and to provide them flexibility in emergency situations, Section 1517 responsibility applies to operating budget holders and not to individual operating target (OPTAR) holders.

> **KEY POINT - Commanding officers as well as financial management personnel should be aware that it is a serious violation of law to spend funds out of one appropriation for an item that is properly financed by another appropriation (Section 1301) or to cause an operating budget to be expended in excess of its limit (Section 1517). Any questions in this area should be promptly referred to the type commander or fleet commander, before beginning procurement action.**

3. TYPES OF APPROPRIATIONS

This section briefly discusses several of the types of appropriations provided by Congress to the Navy. It is not all-inclusive; its intent is to make financial management personnel aware of several of the types of funding

a. Operation and Maintenance, Navy, (O&MN) or Operation and Maintenance, Navy Reserve, (O&MNR)

These appropriations provide the funds to operate and maintain naval forces of the active fleet and the reserves respectively. Programs in O&MN and O&MNR that are funded by operating forces include ship operations, flying hours, ship maintenance and combat support. Examples of expenses in these programs include repair parts, ship and aviation fuel, civilian labor, travel, contracts for services related to ship operations and purchases of expense items. Other O&MN programs include depot repairs to ships and aircraft, the operations of bases, and the funding of headquarters operations.

The O&MN appropriation is further subdivided into four Budget Activities (BA). These categories are not uniquely identified in the accounting classification data used by unit level personnel, but this distinction is important to fund administration personnel, because funds may not be transferred from one budget activity to another. Nearly all operating forces funding is classified as BA1.

- BA1: Operating Forces;
- BA2: Mobilization;
- BA3: Training and Recruiting; and
- BA4: Administrative and Servicewide Support.

b. Other Procurement Navy (OPN)

OPN provides funds to procure other items of an investment nature that are not funded under one of the other appropriations. Investment items are those non-centrally managed items that benefit future fiscal years and cost in excess of a threshold established in the law (currently $100,000). Included in this program are major items for shipboard modernization, associated spares, operating forces support equipment, and items of industrial plant equipment.

It is very rare for OPN funds to be passed to an operating forces unit. However, OPN is the source of funding for several types of spares that the fleets order:

- Hardware systems commands such as Naval Sea Systems Command procure appropriation purchases account (APA) spares using their OPN funds and then issue them at no charge to authorized operating forces units. These items are generally identified by an "even" cognizance symbol (e.g. 2S or 8H).
- A Technical Operating Budget (TOB) is provided by Naval Sea Systems Command from its OPN funds to be used by ships to procure new allowances of spares generated by installations of new equipments or by approved changes to spare parts allowance lists for existing equipment (Coordinated Shipboard Allowance List (COSAL) maintenance actions).

Neither of these two types of requisitions are expenses chargeable to the units OPTAR. Procedures for requisitioning these spares are contained in NAVSUP P-485, Afloat Supply Procedures.

c. Aircraft Procurement, Navy (APN)

APN provides funds for the purchase and modernization of aircraft, ground support equipment and for associated spares.   NEEDS MORE

d. Other Navy Appropriations

Other appropriations applicable to the Navy are shown in Figure 2-1 below:

Other Navy Appropriations

Appropriation	Description
Military Personnel, Navy (MPN)	MPN provides funds for pay and allowances of service members, subsistence of enlisted personnel and permanent change of station transfer costs.
Reserve Personnel, Navy (RPN)	RPN provides funds for pay and allowances of service members of the Naval Reserve and for subsistence of enlisted reserve personnel.
Ship Construction, Navy (SCN)	SCN provides funds for the purchase and outfitting of new ships for the Navy
Weapons Procurement Navy (WPN)	WPN provides funds for ammunition, missiles, torpedoes and associated spares.
Research, Development, Test & Evaluation, Navy (RDTEN)	RDTEN provides funds for research and for the development of new ships, aircraft, weapons and other items.
Military Construction, Navy (MCN, or MILCON)	MILCON provides funds for the construction and renovation of naval buildings and facilities such as piers and airfields.

Figure 2-1

e. Other Funds. There are also a number of other appropriations made each year for purposes such as environmental restoration and Base Realignment and Closure expenses, but the appropriations listed above are the ones most significant to the operating forces. As mentioned earlier, the O&MN and O&MNR appropriations are generally the only funds that an operating forces unit will receive or manage.
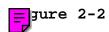

4. APPROPRIATION LIFE

Each appropriation has a finite life cycle during which it must be accounted for and managed. Figure 2-2 below illustrates the life cycle of an Operation and Maintenance appropriation

Appropriation Life Cycle

Year	Current Year	Prior Year 1	Prior Year 2	Prior Year 3	Prior Year 4	Prior Year 5	Beyond Six Years

Designation	Current	Expired		Lapsed, Cancelled or Closed
Purpose	Available for new obligation	Available to pay expenditures, or in some cases to adjust obligations from prior years		Not available for any purpose
Reporting Responsibility	Unit Level	Fleet or Type Commander		None

Figure 2-2

The expense-type appropriations (O&MN and MPN) have a one-year obligation period. For example the fiscal year 2002 O&MN appropriation is only available for new obligation from 1 October 2001 through 30 September 2002. After 30 September 2002, the fiscal year 2002 O&MN appropriation is considered to be expired, and is no longer available for new obligation. Certain adjustments may be made to previous obligations, and expenditures can be processed and vendors paid, but no new obligations can be incurred against this appropriation after the last day of the expiring fiscal year. As will be described in Chapter Four, unit-level OPTAR accounting responsibilities are only required for the current and first prior fiscal years. The fleet or type commander will then perform all required accounting and reporting functions for the second through the fifth prior years.

The investment appropriations have three-year (procurement) or five-year (construction) obligation periods.

Upon completion of the obligation availability period, (one to five years, depending on the appropriation) the expenditure availability period begins. This period lasts for five years for all appropriations, during which time detailed accounting records must be maintained and expenditures may be processed but no new obligations may be incurred.

A lapsed appropriation (also known as closed or canceled) is an appropriation in which the undisbursed balance is no longer available for disbursement because the five-year expenditure availability period is over. Any unexpended balances are returned to the Treasury General Fund.

Any valid expenditures that need to be recorded against obligations canceled due to the appropriation lapsing (five years after the end of its obligation availability period), must be charged to current year funds of the same type of appropriation that has lapsed. Funds are held at the fleet

level for this purpose, and should the need to cite current
year funds for prior year costs, operating forces units
must promptly contact their type commander. Do not cite
current year funds for prior year expenses without
coordination with the type commander. It is extremely
important to close out all records and ensure that all
expenditures are processed prior to an appropriation
lapsing.

The restrictions of U. S. Code Section 1517 does apply to
appropriations that have expired. This means that events
that occur after the end of a fiscal year that affect the
fund balance of the prior year and which cause an
overobligation situation are considered violations of the
Antideficiency Act, just as if the events occurred during
the first year.

2003 FLOW OF FUNDS

The flow of funds within the Department of the Navy
generally follows the structure of the chain of command
from the CNO to the unit level. This is because management
within the Department of the Navy requires the measurement
of performance against established plans and because of the
need for resource support to be provided along with mission
tasking.

In this section, the flow of Operation and Maintenance,
Navy funds is described. Operating resources are granted
from the Chief of Naval Operations (the Appropriation
Responsible Office) to the Fleet Commanders (Major
Claimants) in the form of Major Claimant Operating Budgets
(MCOB). At this point the funding distribution and
management process differs between the Fleets.
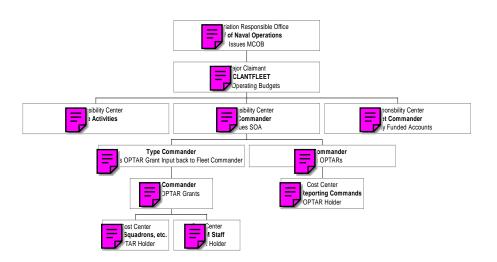
1. ATLANTIC FLEET

In the Atlantic Fleet, the fleet commander issues an
operating budget to itself, out of which they then issue
funding for fleet operations. The fleet commander also
issues other operating budgets for shore activities and
staffs (under NAVSO P-3006 procedures) and for certain
centrally managed expenses such as ship depot maintenance
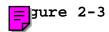and ship propulsion fuel.

Each type commander is then assigned a "Schedule of
Operating Authority" (SOA) out of the fleet operations

operating budget. The SOA is an administrative funding
target based on an estimate of the funds required to
operate each type commander's subordinate units, with no
Section 1517 responsibility attached to the SOA. From the
SOA, the fleet commander issues operating targets, or
OPTARs to the operating forces ship, squadron or other
unit, based on input from the type commander.

The operating budget holder is referred to as a
responsibility center and the OPTAR Holder is referred to
as a Cost Center. Figure 2-3 below illustrates this
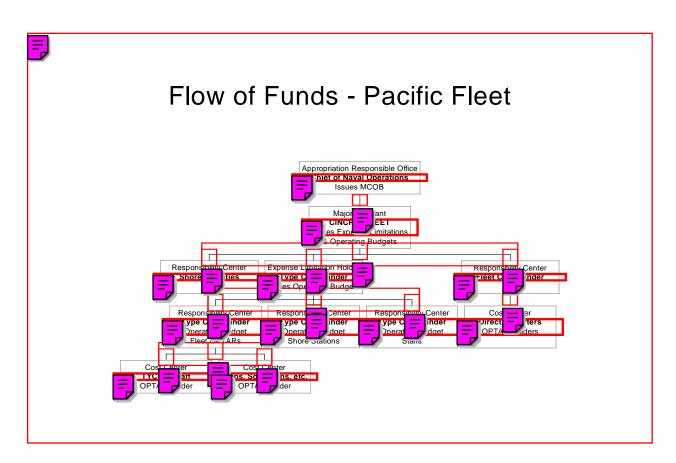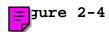relationship:

Flow of Funds - Atlantic Fleet

Figure 2-3

2. PACIFIC FLEET

In the Pacific Fleet, the Fleet Commander issues an Expense
Limitation to itself and to each type commander. Out of
these Expense Limitations, they and the type commanders
issue operating budgets. The fleet issues other operating
budgets for shore activities and staffs (under NAVSO P-3006
procedures) and for centrally managed expenses. Each type

commander issues OPTARS from their operating budget to each
operating forces ship, squadron or other unit. The type
commanders also issue operating budgets to subordinate
shore activities. Figure 2-4 below illustrates this
relationship.

Flow of Funds - Pacific Fleet

Figure 2-4

2004 FUND IDENTIFICATION

Each operating budget is identified by a standardized and
structured system of coding that uniquely describe the
funds. A complete line of accounting (also sometimes
referred to as an "accounting spread") consists of nine
elements and it will specifically describe the operating
budget, OPTAR, standard document number and fund code to be
charged for each obligation. The following paragraphs
describe the elements of the line of accounting applicable
to operating forces.

Because the content of the elements of the line of
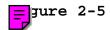accounting are subject to change periodically, fleet and

type commanders will promulgate instructions on the correct
and current accounting classification data to be used by
subordinate units to each OPTAR holder each fiscal year.
Measures taken must ensure that this important data reaches
all units, including those deployed, in a timely manner.

1. APPROPRIATION SYMBOL

Each appropriation is identified by an appropriation symbol
that identifies those funds within the federal government's
accounting system. This is a seven-character number that
identifies the U.S. Treasury Symbol for the agency
responsible for administering the appropriation, the fiscal
year and the specific appropriation. For example, Figure
2-5 illustrates the appropriation symbol for Operation and
Maintenance, Navy funds for Fiscal Year 2002:

Sample Appropriation Symbol

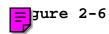| 1721804		
Treasury Symbol	17	Dept. of the Navy
Fiscal Year	2	2002
Appropriation	1804	Operations and Maintenance, Navy

Figure 2-5

2. SUBHEAD SYMBOL

The subhead symbol is a four-character (alpha-numeric) code
that further identifies the funds within the
appropriation. For the Operation and Maintenance, Navy
funds used by the operating forces the first two positions
identify the major claimant ("60" for the Atlantic Fleet
and "70" for the Pacific Fleet); the third position
identifies the O&MN activity group ("A" for air operations,
"B" for ship operations, "C" for combat support operations
and "D" for weapons support, etc). The fourth position is
a serial number assigned by the major claimant. For
example, Figure 2-6 illustrates an Operations and
Maintenance, Navy subhead for ship operations funding:

Sample Subhead

60BA		
Major Claimant	60 or 70	00060, Commander in Chief, U.S.

		Atlantic Fleet or 00070, Commander in Chief, U.S. Pacific Fleet
Activity Group	B	Ship Operations
Serial Number	A	Assigned by the Major Claimant

Figure 2-6

Complete listings of all Operation and Maintenance Navy subheads are contained in the Defense Finance and Accounting Service - Cleveland Center, (NAVSO) P-1000.2M, Accounting Classification Manual, (formerly the NAVCOMPT Manual, Volume 2)[1].

3. OBJECT CLASS

The Object Class is normally "000" in an operating forces line of accounting unless the transaction affects the international balance of payment. Further information on object classes is found in the Defense Finance and Accounting Service Cleveland Center, (NAVSO) P-1000.2M Accounting Classification Manual.

4. OPERATING BUDGET OR BUREAU CONTROL NUMBER

This is the unit identification code of the operating budget holder, e.g. 00060 for Commander in Chief, U.S. Atlantic Fleet, or the unit identification code of the Pacific Fleet type commander.

5. SUB-ALLOTMENT NUMBER

The Sub Allotment Number is a single position code. Enter the operating budget suffix, if assigned, otherwise leave blank.

6. AUTHORIZATION ACCOUNTING ACTIVITY

This is a six-position code consisting of the unit identification code of the Authorization Accounting Activity, preceded by a zero. For example, Atlantic Fleet

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[1] This DFAS Cleveland manual was formerly known as the NAVCOMPT Manual Volume 2. It is still commonly referred to by that name. A current version of this manual is on line at http://www.fma.hq.navy.mil/fma/publications.

units would use 060951, indicating Defense Finance and
Accounting Service Center, Norfolk, Virginia, and Pacific
Fleet units would use 060957, indicating Defense Finance
and Accounting Service Center, San Diego, California.
Naval construction forces of both fleets will use 060957,
indicating Defense Finance and Accounting Service, Center,
San Diego, California.

7. TRANSACTION TYPE

The transaction type is a two-position code, normally "2D"
for fleet accounting transactions. Further information on
transaction types is found in the DFAS-CL (NAVSO) P-1000.2M
Accounting Classifications Manual.

8. PROPERTY ACCOUNTING ACTIVITY

For operating forces accounting, the property accounting
activity is a six-position code that identifies the OPTAR
holder. It consists of the service designator code (V for
Atlantic Fleet or R for Pacific Fleet) and the unit
identification code of the OPTAR holder. In travel OPTAR
accounting, the property accounting activity consists of
the last digit of the chargeable fiscal year followed by
the five-character serial number of the applicable standard
document number.

9. COUNTRY CODE

Not used.

10. COST CODE

The cost code is a twelve-position code that, for operating
forces, normally consists of two zeros, a four digit Julian
Date, a four-character document serial number and a two-
character fund code. For travel OPTAR accounting, the cost
code consists of the estimated date of return in Julian
date format, the unit identification code of the command
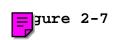receiving the benefit of the travel and the applicable fund
code.

11. BREAKDOWN OF ACCOUNTING CLASSIFICATION DATA

An example of a complete operating forces line of
accounting is shown in Figure 2-7 and an example of a
travel line of accounting is in Figure 2-8 below:

mple Accounting Classification For
Operation Forces Document

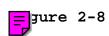| 1711804.60BA 000 00060 060951 2D V20963 * 0012750001SC		
Data Element	Example	Explanation
Appropriation Symbol	1711804	Operations and Maintenance, Navy, Fiscal Year 2001 (seven characters).
Subhead	70AE	U.S. Pacific Fleet, Aviation Operations (four characters).
Object Class	000	Normally 000 unless the transaction affects the international balance of payment (IBOP). For IBOP transactions, see DFAS (NAVSO) P1000.2M, paragraph 027002 (three characters).
Operating Budget	57025	Commander, Naval Air Force, U.S. Pacific Fleet in Chief, U.S. (five characters).
Suffix	0	Operating Budget Suffix if assigned. Here it is 0. If not assigned, leave blank (one character).
Authorization Accounting Activity	060957	Defense Finance and Accounting Service, Center San Diego, CA. Unit identification code preceded by a zero (six characters).
Transaction Type	2D	2D for all transactions except payment of advances; 1K for payment of travel

1711804.60BA 000 00060 060951 2D V20963 * 0012750001SC		
		advances (two characters).
Property Accounting Activity	R21847	USS John C. Stennis
Cost Code	000275D1017L	Two zeroes, the Julian Date and serial number of the requisition, and the fund code (twelve characters).

Figure 2-7

Sample Line of Travel Accounting Data

1711804.60CA 000 00060 060951 2D 1SO269 * 1242V57016YQ		
Data Element	**Example**	**Explanation**
Appropriation Symbol	1711804	Operations and Maintenance, Navy, Fiscal Year 2001 (seven characters).
Subhead	60CA	U.S. Atlantic Fleet, Combat Support Operations (four characters).
Object Class	000	Normally 000 unless the transaction affects the international balance of payment (IBOP). For IBOP transactions, see DFAS (NAVSO) P1000.2M, paragraph 027002 (three characters).
Operating Budget	00060	Commander in Chief, U.S. Atlantic Fleet (five characters).
Suffix		Operating Budget Suffix if assigned, otherwise leave blank (one

1711804.60CA 000 00060 060951 2D 1SO269 * 1242V57016YQ		
		character).
Authorization Accounting Activity	060951	Defense Finance and Accounting Service, Center Norfolk, VA. Unit identification code preceded by a zero (six characters).
Transaction Type	2D	2D for all transactions except payment of advances; 1K for payment of travel advances (two characters).
Property Accounting Activity	1SO269	The last digit of the chargeable fiscal year followed by the five-character serial number of the applicable standard document number (six characters).
Cost Code	1242V57016YQ	The estimated date of return in Julian date format, the unit identification code of the command receiving the benefit of the travel and the applicable fund code(twelve characters).

Figure 2-8

2005 COST IDENTIFICATION

Expenses are identified as to their category by several systems of coding. While the operating forces units are generally concerned only with fund codes, those fund codes can be translated by use of tables within STARS-FL for use

by accounting staffs at the fleet and type commander level into the Functional/Subfunctional Codes, Expense Elements and Object Classes used in the Department of Defense budget structure.

1. FUNCTIONAL/SUBFUNCTIONAL CODES

Functional/Subfunctional Codes identify the purpose of a purchase e.g. ship operations, construction battalions or base support. Functional codes are one-character alphabetic codes and subfunctional codes are two character alphanumeric codes, and a complete list is in DFAS-CL (NAVSO) P-1000.2M Accounting Classifications Manual. Commonly used functional/subfunctional codes are listed in Table 16 of Appendix II to this manual. Units of the operating forces need not be concerned with functional/subfunctional codes, as they are used only at the type commander echelon and above.

2. EXPENSE ELEMENTS

Expense Elements are used by the Department of the Navy to classify the type of material or service procured. Examples of Expense Elements that relate to costs incurred by operating forces include civilian personnel, utilities, repair parts, and aviation fuel. The Expense Elements are single character alphanumeric codes and are listed in the DFAS-CL (NAVSO) P-1000.2M Accounting Classifications Manual. Table 14 to Appendix II of this manual contains a cross reference of fund codes to expense elements. Units of the operating forces do not need to concern themselves with Expense Elements as the fund code serves to identify the type of material or service.

3. OBJECT CLASSES

Object Classes are used as a uniform cost accounting classification across the entire Federal Government to identify the nature of goods or services being purchased. The expense elements discussed in the previous section can be translated into Object Classes. Object Classes are not normally a concern of operating forces units but they are important to fleet and type commanders in budget preparation.

4. FUND CODES

To simplify the identification of the operating budget
chargeable on each requisition or other document for
operating forces personnel, two-character fund codes have
been established. These codes completely identify a full
line of accounting and an expense element and they
eliminate the need to cite a full line of accounting on
obligation and expenditure documents used within the supply
system. Fund codes used by the operating forces are listed
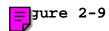in the tables in Appendix II of this manual.

5. JOB ORDER NUMBERS

a. Operating Force Units (Less Construction Forces).

As discussed in paragraph 1004-4, the STARS-FL system
converts data from the operating forces line of accounting
into job order numbers. The unit never sees the job order
number; it is used only within the STARS-FL system. The
job order number is constructed of the five-digit unit
identification code, the last digit of the fiscal year, the
two-character fund code and a three-digit serial number
(typically "000"). An example is given in Figure 2-9
below.

Operating Forces Job Order Number

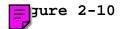| 205502NR000		
Data Element	Example	Explanation
Unit Identification Code	20550	USS TARAWA LHA 1.
Fiscal Year	2	Fiscal Year 2002, last digit.
Fund Code	NR	Repair Parts, COMNAVSURFPAC.
Serial Number	000	As assigned. Most often 000.

Figure 2-9

b. Construction Forces.

Operating forces units of the naval construction forces use
a different job order system, enabled by the unique version
of MICRO SNAP that they use. This job order consists of a
one-digit code that is the last digit of the fiscal year, a
two-character "Admin Code" code that identifies the unit, a
single digit that identifies the cost category group and a

two-digit job order serial number. An example is provided
in Figure 2-10 below.

Construction Forces Job Order Number

2GU119		
Data Element	Example	Explanation
Fiscal Year	2	Fiscal Year 2002, last digit.
Admin Code	GU	Corresponds to unit identification code 30121, Underwater Construction Team One.
Cost Category Group	1	Operations (general operating supplies and services).
Serial Number	19	As assigned.

Figure 2-10

2006 FUND ADMINISTRATION

1. EXPENSE LIMITATIONS

Expense Limitations are divisions of funding from the Major
Claimant Operating Budget, issued from the major claimant
to subordinate echelons of command such as type commanders
on a Resource Authorization document (NAVCOMPT 2168-1).
Operating budgets may be issued from expense limitations.

2. OPERATING BUDGET

Operating Budgets are issued from expense limitations to
responsibility centers, on a Resource Authorization
document (NAVCOMPT 2168-1) and are designated by the unit
identification code of the responsibility center. Fleet
and type commanders issue operating budgets to themselves
for centrally managed programs and for their subordinate
cost centers. When more than one operating budget is
issued to a responsibility center from the same expense
limitation, the operating budgets are distinguished by
appending a one character alphabetic or numeric suffix to
the operating budget.

3. OPERATING TARGET

Operating budget holders establish OPTARs as required to
identify costs and to assign resources to appropriate
levels of the chain of command to facilitate management.
Generally, one or more OPTARs are assigned to each unit of
the operating forces. Instructions for accounting and
reporting for OPTARS are contained in Chapter 4 of this
manual. OPTARs will be issued directly from operating
budgets down through the chain of command. As discussed in
this chapter, Section 1517 responsibility does not apply to
operating targets. However, this does not mean that OPTAR
holders can obligate funds in a greater amount than their
grant.

The service designator code ("V" for Atlantic Fleet or "R"
for Pacific Fleet), the unit identification code and the
fund code, along with a requisition number, fully identify
the complete line of accounting associated with the OPTAR.

4. REIMBURSABLE ORDERS

Reimbursable orders are requests for work or services to be
performed on a reimbursable basis by an activity belonging
to one operating budget holder on behalf of an activity
belonging to another operating budget. The receipt and
acceptance of a reimbursable order automatically increases
the obligational authority of the performing responsibility
center (operating budget or OPTAR). Each reimbursable
order accepted will, however, be provided with unique
coding to insure the proper accumulation of cost.

As mentioned in paragraph 1003, reimbursable orders will
not be issued directly to OPTAR holders. Any operating
forces unit that receives a reimbursable order directly
from another activity should promptly forward it to their
operating budget holder, who will accept it and then may
issue a reimbursable OPTAR to fund the specified work.
Unique rules, addressed in paragraph 4200, apply to the
accounting for reimbursable OPTARS.